

A N N U A L R E P O R T



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ANNUAL REPORT



FEBRUARY 23, 1942

CONTAINER CORPORATION OF AMERICA

MILLS CARTHAGE, INDIANA
CHICAGO, ILLINOIS
CINCINNATI, OHIO (leased)
CIRCLEVILLE, OHIO
FERNANDINA, FLORIDA
KOKOMO, INDIANA (idle)
PHILADELPHIA, PENNSYLVANIA
WABASH, INDIANA
WILMINGTON, DELAWARE (leased)

FACTORIES ANDERSON, INDIANA
BALTIMORE, MARYLAND (leased)
CHICAGO, ILLINOIS
CLEVELAND, OHIO (leased)
CINCINNATI, OHIO
FORT WORTH, TEXAS (leased)
NATICK, MASSACHUSETTS
PHILADELPHIA, PENNSYLVANIA
ROCK ISLAND, ILLINOIS (leased)

BRANCH AND SALES OFFICES AKRON, OHIO
ANDERSON, INDIANA
BALTIMORE, MARYLAND
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
DETROIT, MICHIGAN
FORT WORTH, TEXAS
INDIANAPOLIS, INDIANA
MINNEAPOLIS, MINNESOTA
NATICK, MASSACHUSETTS
NEW YORK, NEW YORK
PEORIA, ILLINOIS
PHILADELPHIA, PENNSYLVANIA
ROCHESTER, NEW YORK
ROCK ISLAND, ILLINOIS
SEATTLE, WASHINGTON
ST. LOUIS, MISSOURI
WABASH, INDIANA

OPERATING SUBSIDIARY PIONEER PAPER STOCK COMPANY
Plants (all leased) located at
CHICAGO, ILL., DETROIT, MICH.,
KALAMAZOO, MICH., PHILADELPHIA, PA.

AFFILIATED COMPANY SEFTON FIBRE CAN COMPANY, ST. LOUIS, MO.

111 WEST WASHINGTON STREET, CHICAGO

DIRECTORS WILLIAM R. BASSET, New York, New York
J. J. BROSSARD, Washington, D. C.
HENRY B. CLARK, San Diego, California
WESLEY M. DIXON, Chicago, Illinois
JOHN L. DOLE, Chicago, Illinois
GEORGE DEB. GREENE, New York, New York
WILLIAM P. JEFFERY, New York, New York
WALTER P. PAEPCKE, Chicago, Illinois
J. V. SPACHNER, Chicago, Illinois

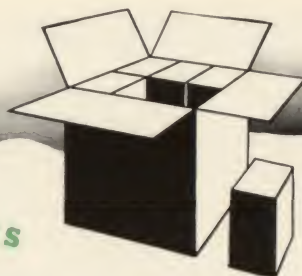
EXECUTIVE COMMITTEE WILLIAM R. BASSET
WILLIAM P. JEFFERY
WALTER P. PAEPCKE

OFFICERS President, WALTER P. PAEPCKE
Vice President, J. J. BROSSARD
Vice President, WESLEY M. DIXON
Vice President, IRA C. KELLER
Vice President, J. V. SPACHNER
Treasurer—Comptroller, H. C. BAUMGARTNER
Secretary, E. A. WAGONSELLER
Assistant Treasurer, CHRIST MADSEN
Assistant Treasurer, ARTHUR PAPKE
Assistant Secretary, L. A. COMBS
Assistant Secretary, H. J. GREVEN
Assistant Comptroller, EDWARD J. STOUT
Assistant Comptroller, C. M. BLUMENSCHNEIN

TRANSFER AGENTS CONTAINER CORPORATION OF AMERICA,
Chicago, Illinois
CITY BANK FARMERS TRUST COMPANY,
New York, New York

REGISTRARS CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY, Chicago, Illinois
THE NEW YORK TRUST COMPANY,
New York, New York

REPAYING NATURE'S RICHES



To Florida farmers, whose pine trees are the South's newest crop, Container Corporation this year presents 1,000,000 seedling pines.

CONTAINER CORPORATION OF AMERICA

An advertisement published in TIME and FORTUNE.

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS, FEBRUARY 23, 1942

TO THE STOCKHOLDERS OF CONTAINER CORPORATION OF AMERICA

We submit herewith the Annual Report of Container Corporation of America for the year ended December 31, 1941, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts.

FINANCIAL REVIEW

PROFIT AND LOSS. The consolidated net profit for 1941 was \$2,327,177 compared with \$2,227,682 for 1940. In each case, earnings are net after administrative charges, interest, and provisions for depreciation, bad and doubtful accounts, local and Federal taxes, including excess profits taxes. These earnings are equivalent to \$2.98 a share on each of the 781,253 outstanding shares of capital stock. Quarterly earnings per share were:

1st Quarter.....	\$.47
2nd Quarter.....	.62
3rd Quarter.....	.81
4th Quarter.....	1.08*
	<hr/>
	\$2.98

*After deducting year end charges representing \$.29 per share.

A comparative summary of operating results for the last three years follows:

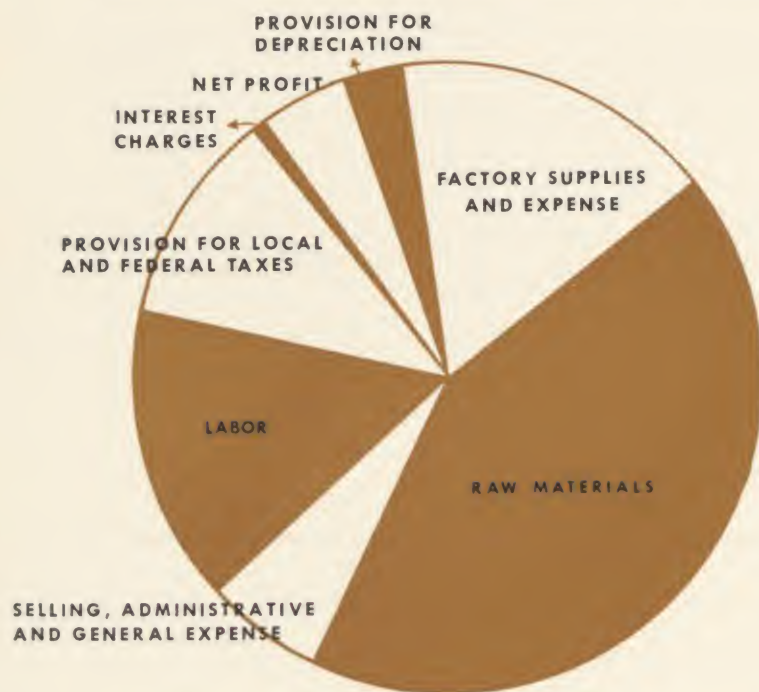
	1941	1940	1939
Net Sales.....	\$46,714,221	\$30,464,677	\$24,114,815
Cost of sales (exclusive of depreciation).....	35,548,267	23,339,894	19,172,531
Gross profit (exclusive of depreciation).....	\$11,165,954	\$ 7,124,783	\$ 4,942,284
Provision for depreciation (includes depletion of \$12,099 for 1941, \$11,138 for 1940 and \$3,669 for 1939).....	1,307,975	1,241,246	1,180,417
Gross profit from operations.....	\$ 9,857,979	\$ 5,883,537	\$ 3,761,867
Selling, administrative and general expenses (exclusive of bad debts).....	2,953,587	2,361,345	1,690,557
Net profit from operations (exclusive of bad debts).....	\$ 6,904,392	\$ 3,522,192	\$ 2,071,310
Other charges:			
Provision for bad debts, less recoveries.....	\$ 45,596	\$ 4,912	\$ 18,923
Loss on capital assets retired or reduced to estimated realizable values.....	235,921	42,706	107,990
	\$ 281,517	\$ 47,618	\$ 126,913
	\$ 6,622,875	\$ 3,474,574	\$ 1,944,397
Other income:			
Purchase discounts, interest earned, etc.....	211,838	160,648	163,150
Net profit before interest and Federal income taxes.....	\$ 6,834,713	\$ 3,635,222	\$ 2,107,547
Interest charges, etc.:			
Interest on first mortgage bonds (retired in 1940).....	\$ —	\$ 69,410	\$ 156,664
Interest on debentures (retired in 1940).....	—	57,512	160,645
Interest on term bank loans.....	90,140	66,552	—
Amortization of debt discount and expense.....	—	15,542	38,124
Other interest, etc.....	2,396	11,524	10,171
	\$ 92,536	\$ 220,540	\$ 365,604
Net profit before Federal income taxes.....	\$ 6,742,177	\$ 3,414,682	\$ 1,741,943
Provision for Federal income taxes:			
Normal taxes.....	\$ 1,187,000	\$ 773,000	\$ 293,043
Excess profits taxes.....	3,228,000	414,000	—
	\$ 4,415,000	\$ 1,187,000	\$ 293,043
Net profit carried to earned surplus.....	\$ 2,327,177	\$ 2,227,682	\$ 1,448,900

Depreciation was provided at the same rates used in the preceding year which resulted in a depreciation charge against operations of \$1,295,875. This was the gross amount added to the depreciation reserve account. The accumulated depreciation on those assets which were sold or retired during the year, amounting to \$335,996, was deducted from the depreciation reserve. Thus, there was a net increase in the depreciation reserve during the year of \$959,879, which was the difference between the provision of \$1,295,875 and the charges of \$335,996.

Loss on capital assets retired or reduced to estimated realizable values during the year amounted to \$235,921 and was charged against the year's profit and loss account.

Repairs and maintenance of buildings, machinery and equipment, charged to operating costs, amounted to \$2,456,313. This cost ran substantially higher in 1941 because (1) it included repair and maintenance charges on five properties, two of which, namely, Cincinnati paper mill (leased August, 1941) and Baltimore (acquired February, 1941), were not operated by your Company in the preceding year, and the other three properties

were operated only partially in 1940; (2) three paper machines not operated in 1940, located on leased properties, had to be completely overhauled in order to put them into production; (3) all paper and pulp machines were run twenty-four hours a day and seven days a week, and all fabricating operations for the last two-thirds of the year at peak capacity limited only by the ability to secure the necessary raw materials; (4) repair and maintenance costs were 15% to 20% higher because of higher material and labor costs.



Federal income and excess profits taxes amounted to \$4,415,000, or \$5.65 per share of outstanding stock. Of this amount \$3,228,000 represents

the excess profits tax. For the determination of this tax the parent company used the invested capital method, while in the case of the subsidiary, Pioneer Paper Stock Company, the four year average earning basis was selected as the more advantageous.

The diagram and table indicate the relative proportion of net sales accounted for by profit, labor, selling, administrative and general expense, raw materials, factory supplies and expense, depreciation, interest, and taxes. The net profit for 1941 represents a return of 11.34% on the average capital (capital stock and surplus) employed during the year.

	1941		1940	
Net sales.....	\$46,714,221	100.00%	\$30,464,677	100.00%
Raw materials.....	\$19,811,142	42.41%	\$12,738,754	41.82%
Factory supplies and expense.....	7,912,638	16.94	5,142,002	16.88
Labor.....	7,228,791	15.48	4,978,805	16.34
*Selling, administrative and general expense.....	2,826,337	6.05	2,155,903	7.08
Provision for depreciation (includes depletion of \$12,099 for 1941 and \$11,138 for 1940).....	1,307,975	2.80	1,241,246	4.07
Provision for local and Federal taxes.....	5,210,021	11.15	1,775,287	5.83
Interest charges.....	90,140	.19	204,998	.67
Net profit.....	2,327,177	4.98	2,227,682	7.31

*Includes other income and charges.

WORKING CAPITAL. The following table sets out in comparative form the changes in working capital:

	December 31		Increase or Decrease (d)
	1941	1940	
CURRENT ASSETS:			
Cash in banks and on hand.	\$1,249,665	\$2,456,532	\$1,206,867(d)
Accounts and notes receivable from customers, less reserves	2,950,262	1,757,532	1,192,730
Notes receivable (secured by property sold).....	125,000	125,000	—
Other receivables.	33,618	86,474	52,856(d)
Inventories.	4,340,712	3,410,931	929,781
Total current assets.	<u>\$8,699,257</u>	<u>\$7,836,469</u>	<u>\$ 862,788</u>
CURRENT LIABILITIES:			
Accounts payable—trade creditors.	\$1,321,396	\$ 345,977	\$ 975,419
Accrued interest.	2,896	3,989	1,093(d)
Accrued salaries, wages and profit-sharing provision.	613,617	465,411	148,206
Accrued taxes.	456,957	338,430	118,527
Provision for Federal income taxes.	360,070*	1,186,977	826,907(d)
Sundry accruals.	45,000	25,000	20,000
Total current liabilities.	<u>\$2,799,936</u>	<u>\$2,365,784</u>	<u>\$ 434,152</u>
Net working capital.	<u>\$5,899,321</u>	<u>\$5,470,685</u>	<u>\$ 428,636</u>
Current ratio.	3.11 to 1	3.31 to 1	
*Provision for Federal income taxes.	\$4,564,790		
Less: Treasury notes—tax series.	<u>4,204,720</u>		
	<u>\$ 360,070</u>		

Working capital increased \$428,636. Receivables, payables, and inventories increased markedly because of a 53% increase in dollar volume of business done. Collections continued to be excellent, as is customary in this line of business, with a turnover of about 20 days and insignificant credit losses of about one tenth of one per cent of net sales.

Your Company purchased during the year \$4,200,000 of Treasury Notes, Tax Series B, or within \$360,000 of the total liability for Federal income and excess profits taxes, in payment of which these Treasury Notes will be used.



Covering a huge area of floor space is the big stock of accessories and their containers for Army Truck engines, such as air cleaners, oil filters, fan belts, and so forth.

OEM Defense Photo by Palmer

An application of funds statement follows which sets out the sources of funds and their disposition:

Funds provided from the following sources:

Profit for year.....			\$2,327,177
Add expense items not requiring cash—			
Provision for depreciation.....	\$1,295,875		
Provision for depletion.....	12,099		
Loss on capital assets retired or reduced to estimated realizable values.....	235,921	1,543,895	\$3,871,072
Net decrease in other receivables and investments.....			434,590
Proceeds from sale of property and from insurance for build- ing destroyed by fire.....			57,421
			<u>\$4,363,083</u>

Which were expended or accounted for as follows:

Dividends paid.....	\$1,171,879
Payments on term bank loans.....	1,200,000
Additions to plant and equipment.....	1,522,479
Net increase in working capital.....	428,636
Net increase in deferred charges.....	40,089
	<u>\$4,363,083</u>

Incoming funds were utilized principally as follows:

1. Dividends of \$1.50 a share, or \$1,171,879, were paid.
2. Funded debt was reduced by \$1,200,000.
3. Capital expenditures of \$1,522,479 were made for improvements and additions to land, buildings, machinery and equipment, including the acquisition for cash of the corrugated box factory at Baltimore, Maryland.
4. After the above-mentioned dividend payments, funded debt reduction, and capital expenditures, working capital increased \$428,636.

On pages 20 to 23 a twelve year comparison of balance sheets, summary of profit and loss, and a record of dividends and interest on funded debt are submitted. These tabulations give a detailed reflection of the progress of your Company over a long period.

FUNDED OBLIGATIONS. As just noted above, funded debt was decreased by \$1,200,000, or from \$4,100,000 at the beginning of the year to \$2,900,000 at the end of the year. Prepayments of the entire amount of \$600,000 due at the rate of \$50,000 a month for the next twelve months have been made. In addition \$600,000 has been prepaid on the final note due in 1945. (Since December 31, 1941, a further debt reduction of \$400,000 has been effected so that outstanding indebtedness as of March 1, 1942 is \$2,500,000.)

Because of unsettled financial conditions in the securities markets during the year 1941 and because it became more certain during the year that very substantial reductions of

funded debt could be made, the preferred stock refinancing mentioned in last year's annual report and approved at the stockholders' meeting was dropped.

CAPITALIZATION. There was no change during the year in the 781,253 shares of outstanding capital stock. These shares were owned by almost 8,000 shareholders. The largest shareholder owns less than 8% of the total outstanding; over 40% of the outstanding shares are owned by holders of one to two hundred shares each.

SURPLUS. The net profit of \$2,327,177 was added to earned surplus. Dividend payments of \$1,171,879 were charged against earned surplus. The net addition to earned surplus for 1941 was \$1,155,298 and increased earned surplus to \$4,808,012 at the end of the year.

OPERATIONS

The following table indicates the number of tons of paperboard and pulp produced in your Company's mills as well as the number of tons of finished product shipped by mills and box factories:

	Tons Produced in Mills	Tons Finished Product Shipped
1932.....	252,464	281,423
1933.....	299,346	320,961
1934.....	300,424	312,830
1935.....	373,399	382,381
1936.....	428,627	441,086
1937.....	391,270	390,496
1938.....	346,616	361,820
1939.....	432,848	462,385
1940.....	461,815	504,507
1941.....	546,002	627,292

A substantial amount of paperboard tonnage was fabricated and shipped by your Company's box factories which was not produced by your Company's mills but purchased from outside sources. This accounts for the larger number of tons of finished product shipped than produced in your Company's own mills.

The main capital improvements, additions and acquisitions made during the year included the following:

1. Acquisition of a complete corrugated box plant at Baltimore, Maryland, the buildings and land of which, however, are leased.
2. A large new building and additional machinery installations at the Coated Board plant in Chicago.
3. A new 1500 kilowatt turbo-generator at the Ogden Avenue plant.
4. A new boiler replacing two very old ones at the 35th Street plant.
5. Acquisition of additional timber land and stumpage rights to add to the timber reserve for the Fernandina pulp mill.

6. A large number of high-speed, ultra-modern box shop machines for use in corrugated container and folding carton manufacture, including automatic stitching machines, printing presses, cutters, gluing machines, single facers, printer slotters, etc. Also, for the pulp and paper mills, additional recovery boilers, screening equipment, hydropulpers, rewinders, and the like. And finally, substantial additions and replacements to your Company's fleet of trucks, tractors and trailers.

As a result of these large expenditures for capital additions and improvements, and of \$2,456,313 for repair and maintenance, the Company's properties are in excellent operating condition to meet the present huge wartime demand for its product in large volume and first-class quality, and to produce at thoroughly competitive costs both now and for a future day when competitive conditions no doubt again will be very rigorous. During the current year substantially lower capital expenditures will be made, both as a matter of policy as well as because it will be almost impossible, with existing priorities and shortages, to obtain some of the machinery which otherwise might be purchased.

Operating costs increased quite sharply throughout the year because of higher prices of raw materials and all sorts of operating supplies and higher labor cost. Your Company has several plants which are completely unionized, some which are partly unionized, and others which are entirely non-union. In all three types of plants substantial wage increases were made in order to keep the Company's scale of wages comparable with competitive wage rates in the various communities. Your Company's policy is to keep its wage scale well over the average obtaining in the paperboard and container industries, as it results in less turnover and a more permanent, more seasoned, and more highly skilled working force.

SALES

Consolidated net sales for 1941 were \$46,714,221, or an increase of 53% over the net sales of \$30,464,677 in the preceding year. The increase in unit volume was 24%. Selling prices of paperboard and pulp were at a satisfactory level throughout the year. Selling prices of containers and folding cartons were at less than satisfactory levels during the first six months of the year, but increases toward the middle of the year brought these up to a more profitable basis. Net profit on sales after taxes for the full year was 5%.

The Sales Promotion, Development, and Art Departments continued at top speed. In their work on sales and product research, the introduction of new and improved designs, and the development of entirely new fields in connection with direct and indirect defense work, many new products were developed for more highly specialized and new requirements.

AFFILIATED AND SUBSIDIARY COMPANIES

The Sefton Fibre Can Company of St. Louis, Missouri, which is engaged in the manufacture of paper cans partly with paper and partly with tin tops and bottoms, earned a profit of \$70,069 after all charges. It paid out 5% dividends on its preferred stock; it



The news that's

never read

Unsold newspapers contribute a substantial part of the 5,000,000 tons of raw material for America's paperboard packages.



CONTAINER CORPORATION OF AMERICA

One of a series of advertisements published in TIME and FORTUNE to acquaint the public with the importance of waste paper

reduced the outstanding preferred stock by \$2,200 par value; it furthermore made additional improvements to its mechanical equipment and ended up with an increase in working capital of \$26,474. As this company is not a wholly-owned subsidiary, its earnings and balance sheet figures are not included in the accompanying financial statements of the parent company.

The Sefton Fibre Can Company, acting on a management fee basis, has leased land and buildings at Memphis, Tennessee, and purchased and installed new specialized machinery for the United States Government. This new factory, operating exclusively on Government work, began operations on February 2nd for the manufacture of paper tubes for shells. The contract with the U. S. Government was signed on August 27th, and the first shipments of finished product were made to the Government in the second week of February 1942.

The Pioneer Paper Stock Company, which for years has been a wholly-owned subsidiary, again had a successful and profitable year of operations. Its business consists of the purchase of all sorts of waste paper, which it sorts, grades, cleans, bales and ships as a raw material for many of the paperboard mills of the parent company as well as for a large number of other paper mills of all types and kinds, some engaged in the manufacture of paperboard and some in the manufacture of book and magazine paper, roofing paper, etc.

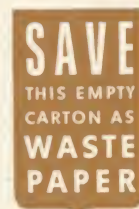
In this connection, we urge all of our shareholders to assist in the saving of all types of waste paper, whether this be in the form of old records, newspapers, magazines, books, containers, cartons, paper bags, wrapping paper, tissue paper, or what not. During the last six months of 1941 a shortage of waste paper has existed which has resulted in a serious reduction of waste paper inventories and in many cases in the curtailment of paper mill operations throughout the country. Waste paper is an important defense material in that it is essential in the manufacture of all northern paperboard which in turn is used in the manufacture of shipping containers and cartons. Without an adequate supply of boxboard, containers and cartons, important direct defense products such as shells, bomb parts, small arms ammunition, explosives, airplane parts, gas masks and scores of other products cannot be sufficiently protected in storage and shipment. Without containers and cartons, the hundreds of other highly essential items such as food products, wearing apparel, materials and supplies needed at camps and cantonments, or for lend-lease, cannot be delivered. Finally, the day to day needs of our entire civilian population of food, clothing, and other vital necessities must be packaged to insure safe transportation from point of production to point of consumption.

WAR WORK

It is estimated that about 30% of the product of your Corporation is at present going into defense requirements. As industry is swinging more and more into wartime production this percentage already is increasing a great deal. On pages 17 and 18 there appear pictures of some of the many of your Company's products used in war work. It is practically impossible to estimate how many containers for the packaging, for example, of foods, soap, pharmaceuticals, clothing, matches, etc. finally find their way to cantonments, lend-lease shipments, and consignments to our Allies throughout the world.



Boy Scouts and Container Corporation collect waste paper



A reminder like this is being printed on large and small containers manufactured by the company

GIVE OR SELL TO A
COLLECTION SERVICE



Among some of the more interesting specialized packages which have been developed in connection with the war effort are containers for army field rations for parachute troops and tank corps, for lend-lease shipments of powdered as well as frozen eggs, for various types of dehydrated foods, for small arms ammunition, and many others; also such specialties as paper board targets for machine gun practice.

A large number of the young men, until recently in the employ of your Company, have enlisted in various departments of the armed forces. No doubt many more will be required in the future. In the cases where young men have responsible positions and highly specialized training, deferments have been requested and in many cases granted.

On September 1, 1941, Mr. John J. Brossard, a vice-president and one of the senior officers of the Company, was assigned to permanent residence at Washington for the duration of the emergency. His duties are to represent Container Corporation in all matters relating to the Office of Production Management (now War Production Board),

the Office of Price Administration, priority requirements, and in general to cooperate with all Government bureaus and agencies interested in paperboard, pulp, containers, and waste paper.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

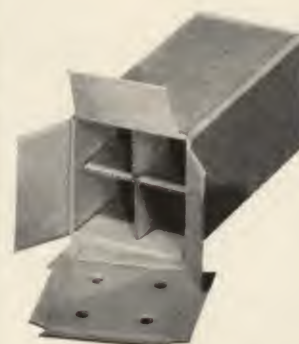
These industries are at the present time operating at full capacities, limited only by raw material supplies. It seems possible that interruptions of full-time operations may come from time to time as there is a shift from peacetime to wartime economy. Many of these industries' customers are having priority problems. In general it may be stated, however, that paper packages necessary for civilian needs are fully as essential for wartime requirements of both the civilian and the military population.

EMPLOYEE RELATIONS

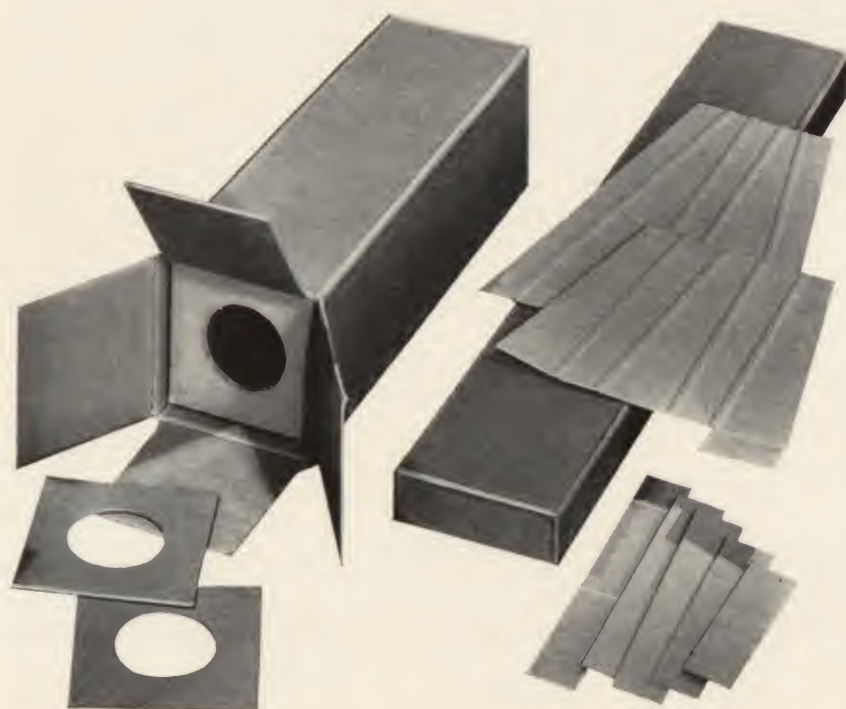
GENERAL. The total number of employees of your Company has grown in the last twelve months from 4400 men and women to approximately 6300. During the year much effort has been expended on the further perfecting of safety work and appliances; new and better employees' wash rooms and other factory facilities have been provided. Since war began, close cooperation has been instituted with the FBI and other Governmental agencies and extensive precautions taken for protection against sabotage, fires, and other possible interferences with full-time operations. Fire brigades have been established; fire drills are held regularly; employees and others working in the factories are more carefully checked in and out with identifying badges and pictures; additional guards have been employed and trained.



Army shoes into containers. (A scene from the motion picture "POWER FOR DEFENSE.")



Container for 75 M.M. shells



Container for 6 inch Howitzer shell.

Complete package for Springfield rifle.

Right, Shipping case to hold 105 gas mask canisters. Box for shipment of plastic turrets for airplanes.



INSURANCE. Group life, accident and sickness insurance, including hospitalization and surgical care, is available for all employees who elect to participate. This type of insurance is functioning well and in times of need has provided timely financial assistance to many factory employees and their families.

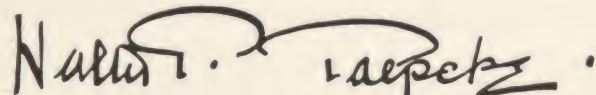
RETIREMENT ANNUITY PLAN. All employees of the Company after one year of service are eligible for the retirement annuity plan, whether they be employed in the factories or in the offices. In 1941 employees paid in \$144,242, and an equivalent sum was paid by the Company. Of these sums, 6.6% represents contributions by and on account of executive officers, and 93.4% were contributions by and on account of all other employees. As provided in the plan, \$110,887 was paid by the Company during the year for the purchase of so-called past service annuities payable, subject to the provisions of the plan, only upon retirement. Such past service annuities purchased during the year were confined to those older employees nearest retirement age, including one executive officer the payment on account of whom represented 1% of the above amount.

MANAGEMENT PROFIT SHARING PLAN. Under the management profit sharing plan as submitted to and adopted by the stockholders meeting on April 25, 1940, there would have been due and payable for the year 1941 as computed by the auditors an amount of \$876,783. The nonparticipating directors, charged with the final determination of the profit sharing fund, under existing conditions fixed the amount thereof for the year 1941 at \$300,000. This compares with a distribution of \$332,000 for the year 1940. The nonparticipating directors allocated the fund for 1941 as follows: 30% to the President, 40% to the four Vice-Presidents and 30% to 40 other employees including the Treasurer and Secretary.

ORGANIZATION. All members of the organization in the factories and in the offices have cheerfully and intelligently cooperated to fulfill the more exacting requirements of peak production. Every factory and mill, almost without exception, succeeded in establishing new all-time high records of production in almost every department. For this and many other fine accomplishments the Board of Directors wishes to record its praise and commendation. No doubt the demands of 1942 will be even greater, and it is the confident belief of the Management that the organization will discharge with credit all demands which may be required of it.

Submitted on behalf of the Board of Directors.

Respectfully,

A handwritten signature in dark ink, appearing to read "Nathan Leopold", with a stylized flourish extending from the end.

President

CONTAINER CORPORATION OF AMERICA AND

CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR

ASSETS

	1941	1940	1939	1938	1937
Cash in banks and on hand.....	\$ 1,249,665	\$ 2,456,532	\$ 1,044,918	\$ 1,031,969	\$ 1,650,344
Accounts and notes receivable—less reserves.	3,108,880	1,969,006	1,903,452	1,474,683	1,133,116
Inventories.....	4,340,712	3,410,931	3,644,189	2,859,950	3,143,426
Total current assets.....	\$ 8,699,257	\$ 7,836,469	\$ 6,592,559	\$ 5,366,602	\$ 5,926,886
Other receivables and investments.....	367,664	802,253	1,561,736	1,487,517	1,848,555
Treasury stock at cost.....	—	—	—	—	—
Land.....	3,599,118	3,485,447	3,463,005	3,450,285	3,192,264
Buildings, machinery and equipment.....	25,864,025	25,096,655	24,051,950	23,452,635	22,720,891
Reserve for depreciation.....	11,952,714	10,992,835	9,897,678	8,922,908	7,763,149
Deferred charges.....	227,151	187,062	338,039	387,994	385,583
Good will and patents.....	1	1	1	1	1
Organization expense.....	—	—	—	—	—
	<u>\$26,804,502</u>	<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>

LIABILITIES

Accounts payable.....	\$ 1,321,396	\$ 345,977	\$ 820,005	\$ 446,525	\$ 363,451
Accrued salaries, wages, taxes, interest, etc..	1,118,470	832,830	516,978	392,440	434,276
Reserve for Federal income taxes.....	360,070*	1,186,977	296,000	34,200	528,000
Sinking fund payments due within a year....	—	—	250,000	128,000	115,000
Total current liabilities.....	\$ 2,799,936	\$ 2,365,784	\$ 1,882,983	\$ 1,001,165	\$ 1,440,727
Funded debt.....	2,900,000	4,100,000	5,126,000	5,945,500	6,472,000
Provision for prior years Federal income taxes in dispute.....	—	—	—	500,000	—
Reserve for contingencies.....	—	—	—	—	449,114
Capital stock.....	15,625,060	15,625,060	15,625,060	15,625,060	15,625,060
7% Preferred stock.....	—	—	—	—	—
Class A common stock.....	—	—	—	—	—
Class B common stock.....	—	—	—	—	—
Capital surplus.....	671,494	671,494	671,494	671,494	383,139
Earned surplus.....	4,808,012	3,652,714	2,804,075	1,478,907	1,940,991
	<u>\$26,804,502</u>	<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>
Working capital.....	\$ 5,899,321	\$ 5,470,685	\$ 4,709,576	\$ 4,365,437	\$ 4,486,159
Current ratio.....	3.11 to 1	3.31 to 1	3.50 to 1	5.36 to 1	4.11 to 1

Note—Italics denote red figures.

*Provision for Federal income taxes..... \$4,564,790
Less Treasury notes—tax series..... 4,204,720
\$ 360,070

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1941

1936	1935	1934	1933	1932	1931	1930
\$ 1,147,362	\$ 1,131,576	\$ 820,912	\$ 439,616	\$ 1,027,685	\$ 876,050	\$ 222,144
1,625,631	1,155,580	1,146,099	1,161,913	804,972	932,857	1,149,294
2,900,739	2,896,060	2,489,422	2,622,308	1,257,032	1,832,466	2,658,541
\$ 5,673,732	\$ 5,183,216	\$ 4,456,433	\$ 4,223,837	\$ 3,089,689	\$ 3,641,373	\$ 4,029,979
149,754	90,563	136,840	195,079	40,475	92,844	172,862
—	—	93,750	93,750	93,750	33,750	480,451
3,237,069	3,237,069	3,219,640	3,219,640	3,251,857	3,321,932	3,330,544
21,872,009	21,143,364	20,172,812	18,795,010	19,734,390	20,059,310	20,454,670
7,738,397	6,760,214	5,789,049	5,084,545	4,949,959	4,205,822	3,579,910
438,647	433,644	487,155	622,916	591,908	715,645	844,018
I	I	I	I	I	I	I
—	—	—	—	—	—	49,735
<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>	<u>\$22,065,688</u>	<u>\$21,852,111</u>	<u>\$23,659,033</u>	<u>\$25,782,350</u>

\$ 1,305,003	\$ 758,558	\$ 988,356	\$ 985,431	\$ 340,754	\$ 300,907	\$ 574,222
415,636	329,066	304,602	327,794	279,899	391,994	345,397
255,000	217,500	195,000	—	—	—	—
154,000	250,000	201,500	14,000	14,000	20,500	111,500
\$ 2,129,639	\$ 1,555,124	\$ 1,689,458	\$ 1,327,225	\$ 634,653	\$ 713,401	\$ 1,031,119
6,980,500	7,736,360	7,783,500	8,239,000	8,666,000	8,949,125	9,523,625
—	—	—	—	—	—	—
434,114	417,614	81,622	86,122	86,122	101,622	81,622
13,070,800	13,070,800	—	—	—	—	—
—	—	1,206,600	1,575,300	1,832,200	2,035,900	2,070,000
—	—	7,471,100	7,471,100	7,471,100	7,471,100	7,928,560
—	—	2,890,945	2,890,945	2,890,945	2,890,945	4,424,483
—	—	1,922,499	1,658,285	1,460,811	1,460,811	—
1,017,762	547,745	268,142	1,182,289	1,189,720	36,129	722,941
<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>	<u>\$22,065,688</u>	<u>\$21,852,111</u>	<u>\$23,659,033</u>	<u>\$25,782,350</u>
\$ 3,544,093	\$ 3,628,092	\$ 2,766,975	\$ 2,896,612	\$ 2,455,036	\$ 2,927,972	\$ 2,998,860
2.66 to 1	3.33 to 1	2.64 to 1	3.18 to 1	4.87 to 1	5.10 to 1	3.91 to 1

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

	1941	1940	1939	1938	1937
Net sales.	\$46,714,221	\$30,464,677	\$24,114,815	\$18,705,290	\$25,268,327
Cost of sales (exclusive of depreciation)	35,548,267	23,339,894	19,172,531	15,295,294	19,201,297
Gross profit (exclusive of depreciation) . .	\$11,165,954	\$7,124,783	\$4,942,284	\$3,409,996	\$6,067,030
Provision for depreciation.	1,307,975	1,241,246	1,180,417	1,261,111	1,216,800
Gross profit from operations.	\$9,857,979	\$5,883,537	\$3,761,867	\$2,148,885	\$4,850,230
Selling, administrative and general expenses (exclusive of bad debts)	2,953,587	2,361,345	1,690,557	1,748,504	2,027,711
Net profit from operations (exclusive of bad debts)	\$6,904,392	\$3,522,192	\$2,071,310	\$400,381	\$2,822,519
Other income and <i>charges</i> —net.	69,679	113,030	36,237	75,930	71,770
Net profit before interest and Federal in- come taxes.	\$6,834,713	\$3,635,222	\$2,107,547	\$476,311	\$2,750,749
Interest charges, etc.	92,536	220,540	365,604	412,641	438,644
Net profit before Federal income taxes. .	\$6,742,177	\$3,414,682	\$1,741,943	\$63,670	\$2,312,105
Provision for Federal income taxes.	4,415,000	1,187,000	293,043	34,200	528,000
Net profit carried to earned surplus. . . .	<u>\$2,327,177</u>	<u>\$2,227,682</u>	<u>\$1,448,900</u>	<u>\$29,470</u>	<u>\$1,784,105</u>

Note—Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1930

Dividends paid:					
Preferred stocks.	—	—	—	—	—
Common stocks.	\$1,171,879	\$1,171,879	\$195,313	\$234,376	\$860,876
Total dividends.	\$1,171,879	\$1,171,879	\$195,313	\$234,376	\$860,876
*Interest on funded debt paid.	\$91,234	\$207,677	\$310,900	\$346,005	\$374,340
Total dividends and interest.	<u>\$1,263,113</u>	<u>\$1,379,556</u>	<u>\$506,213</u>	<u>\$580,381</u>	<u>\$1,235,216</u>

*On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1941

1936	1935	1934	1933	1932	1931	1930	Total
\$22,525,268	\$20,181,777	\$18,316,508	\$15,419,759	\$11,457,966	\$15,742,264	\$19,102,126	\$268,012,998
17,466,001	15,356,939	14,136,407	12,819,457	10,292,552	13,606,085	15,653,844	211,888,568
\$ 5,059,267	\$ 4,824,838	\$ 4,180,101	\$ 2,600,302	\$ 1,165,414	\$ 2,136,179	\$ 3,448,282	\$ 56,124,430
1,172,734	1,152,590	984,162	791,007	806,467	830,168	826,447	12,771,124
\$ 3,886,533	\$ 3,672,248	\$ 3,195,939	\$ 1,809,295	\$ 358,947	\$ 1,306,011	\$ 2,621,835	\$ 43,353,306
1,791,599	1,575,614	1,375,624	1,096,807	1,188,528	1,551,114	2,006,478	21,367,468
\$ 2,094,934	\$ 2,096,634	\$ 1,820,315	\$ 712,488	\$ 829,581	\$ 245,103	\$ 615,357	\$ 21,985,838
89,054	143,609	21,278	55,468	14,897	139,176	127,750	26,368
\$ 2,005,880	\$ 1,953,025	\$ 1,799,037	\$ 657,020	\$ 844,478	\$ 105,927	\$ 743,107	\$ 22,012,206
463,938	497,516	491,326	516,099	535,885	580,886	623,174	5,238,789
\$ 1,541,942	\$ 1,455,509	\$ 1,307,711	\$ 140,921	\$ 1,580,563	\$ 686,813	\$ 119,933	\$ 16,773,417
255,000	217,500	195,000	—	—	—	14,766	7,139,509
\$ 1,286,942	\$ 1,238,009	\$ 1,112,711	\$ 140,921	\$ 1,580,563	\$ 686,813	\$ 105,167	\$ 9,633,908

TO DECEMBER 31, 1941

—	\$ 422,310	\$ —	\$ —	\$ —	\$ 37,100	\$ 129,780	\$ 589,190
\$ 816,925	—	—	—	—	114,403	421,555	4,987,206
\$ 816,925	\$ 422,310	\$ —	\$ —	\$ —	\$ 151,503	\$ 551,335	\$ 5,576,396
\$ 422,459	\$ 438,871	\$ 438,170	\$ 458,685	\$ 478,270	\$ 509,901	\$ 529,549	\$ 4,606,061
\$ 1,239,384	\$ 861,181	\$ 438,170	\$ 458,685	\$ 478,270	\$ 661,404	\$ 1,080,884	\$ 10,182,457

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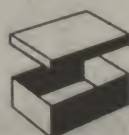
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Glass Tableware
Clothing
Coffee, Tea,
Cocoa and Spices
Confectionery and
Nuts
Chemicals and
Naval Stores
Dairy Products
Electrical
Appliances and
Supplies
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Furniture
Glass
Glass Bottles
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Luggage
Machines and
Machine Parts

Matches
Mattresses and
Springs
Meat Packing
Musical Instruments
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Paint and Varnish
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Druggist Prepa-
rations
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Apparatus and
Supplies
Radios and
Accessories
Refrigerators
and Accessories
Rubber Goods
Sanitary Ware
and Plumbers'
Supplies
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Spices
Sporting Goods
Stoves and
Accessories
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Cane)
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Toys and Games
Vegetable Oil
Products
Wholesale
and Retail
Establishments

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PRODUCTS

USES

AND FACTORIES † OF CONTAINER CORPORATION OF AMERICA

†Also Baltimore, Maryland

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.		\$ 1,249,664.87
Accounts and notes receivable from customers.	\$ 3,097,754.24	
Less—Reserve for doubtful receivables.	<u>147,492.60</u>	2,950,261.64
Note receivable due in 1942.		125,000.00
Other current receivables.		33,618.36
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of cost or market.		<u>4,340,711.92</u>
Total current assets.		\$ 8,699,256.79

OTHER RECEIVABLES AND INVESTMENTS:

Notes receivable (secured by property sold) due in 1943.	\$ 250,000.00	
Other receivables and investments, at cost.	<u>117,663.63</u>	367,663.63

PLANT AND EQUIPMENT—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus additions since at cost, less reserves for depreciation:

Land.	\$ 3,599,118.22	
Buildings.	\$ 7,292,268.34	
Machinery, equipment, etc.	14,240,144.68	
Leasehold and leasehold improvements.	<u>4,331,611.69</u>	
	\$25,864,024.71	
Less—Reserves for depreciation.	<u>11,952,713.79</u>	<u>13,911,310.92</u>
		17,510,429.14

DEFERRED CHARGES:

Prepaid insurance.	\$ 181,973.59	
Other prepaid expenses, etc.	<u>45,177.48</u>	227,151.07

GOODWILL AND PATENTS—at nominal value. 1.00

\$26,804,501.63

AND SUBSIDIARY COMPANIES

— DECEMBER 31, 1941

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 1,321,395.74
Accrued liabilities—		
Salaries, wages and profit-sharing provision.....	\$ 613,617.34	
Taxes, other than income taxes.....	456,956.75	
Other.....	47,895.83	\$ 1,118,469.92
Provision for Federal income taxes.....	\$ 4,564,789.79	
Less—U. S. Treasury notes—tax series—to be applied in payment thereof.....	4,204,720.00	360,069.79
Total current liabilities.....		\$ 2,799,935.45

TERM BANK LOAN maturing \$600,000 per year in equal monthly installments from January 15, 1943 to June 15, 1945, and \$1,400,000 on June 15, 1945, with interest at rates varying from 2% to 2½% per annum.....	2,900,000.00
---	--------------

CAPITAL STOCK AND SURPLUS:

Capital stock—

Authorized 1,000,000 shares of \$20 par value each		
Outstanding 781,253 shares.....	\$15,625,060.00	
Paid-in surplus (no change during year).....	671,494.30	
Earned surplus, restricted under bank loan agreement to the extent of \$2,500,000 with respect to payment of dividends (see accompanying summary).....	4,808,011.88	21,104,566.18

\$26,804,501.63

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1941

CONSOLIDATED PROFIT AND LOSS

NET SALES.....		\$46,714,220.76
COST OF SALES (exclusive of depreciation).....	\$35,548,266.79	
PROVISION FOR DEPRECIATION (including \$12,099.21 of depletion)....	1,307,974.68	36,856,241.47
Gross profit from operations.....		\$ 9,857,979.29
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....		2,953,586.77
Net profit from operations.....		\$ 6,904,392.52
DEDUCT:		
Loss on capital assets retired or reduced to estimated realizable values	\$ 235,920.55	
Provision for doubtful receivables, less recoveries.....	45,595.61	
Interest on term bank loans, etc.....	92,536.82	
	\$ 374,052.98	
Less—Purchase discounts, interest earned, etc.....	211,837.85	162,215.13
Net profit before Federal income taxes.....		\$ 6,742,177.39
PROVISION FOR:		
Federal income taxes.....	\$ 1,187,000.00	
Federal excess profits taxes.....	3,228,000.00	4,415,000.00
Net profit carried to earned surplus.....		\$ 2,327,177.39

EARNED SURPLUS

BALANCE DECEMBER 31, 1940.....	\$ 3,652,713.99
ADD—Net profit for year, as above.....	2,327,177.39
	\$ 5,979,891.38
DEDUCT—Cash dividends paid (\$1.50 per share).....	1,171,879.50
Balance at December 31, 1941.....	\$ 4,808,011.88

NOTE: Earned surplus is restricted under the bank loan agreement to the extent of \$2,500,000 with respect to payment of dividends.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO

To the Stockholders of

Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and subsidiaries as of December 31, 1941, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,

February 2, 1942.

Arthur Andersen & Co.

FIVE YEAR COMPARISONS 1937-1941

	1937	1938	1939	1940	1941
NUMBER OF EMPLOYEES (AT 12/31)	3,658	3,400	3,827	4,419	6,295
TONS SHIPPED	390,496	361,820	462,385	504,507	627,292
NET PROFIT	\$1,784,105	\$ 29,470	\$1,448,900	\$2,227,682	\$2,327,177
DIVIDENDS AND INTEREST PAID	\$1,235,216	\$580,381	\$ 506,213	\$1,379,556	\$1,263,113
TAXES	\$1,022,245	\$472,977	\$ 784,372	\$1,775,287	\$5,210,021
PER CENT OF PROFIT ON INVESTED CAPITAL	11.14%	.16%	7.86%	11.41%	11.34%
INVESTED CAPITAL PER EMPLOYEE	\$ 4,379	\$ 5,254	\$ 4,818	\$ 4,418	\$ 3,261
INCREASE IN SURPLUS	\$ 923,229		\$1,325,168	\$ 848,639	\$1,155,298
		\$462,084			

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CONTAINER CORPORATION OF AMERICA

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